

Commissioner's Column

November 2011

Citizens Fifth Depopulation Program Successful

Many of you are collaborating with the Louisiana Citizens Property Insurance Corporation (Citizens) on the fifth Depopulation Program. November 15 was the deadline for agents such as you to authorize policies to be moved from Citizens to the requesting company. I am delighted to announce that Citizens has achieved significant results with 10,890 homeowners policies being assumed into the private insurance market.

Citizens total policy count has dropped to 105,000 policies with the removal of these additional policies. With this round of take outs Citizens is predicted to have dropped to a 4.3 percent homeowners market share and rank 6th in size of market share in our state. This will reduce Citizens' market share from 5.3 percent of the market at year end of 2010.

I'm sure you recall Citizens' saw a significant rise in its size in the aftermath of Hurricanes Katrina and Rita in 2005 with its policy count spiking to 174,000 policies in September of 2008. In 2009, when Citizens homeowners market share dropped to 6.4% of the market Citizens first saw its market share move lower than the Citizens market share in 2004 prior to Hurricane Katrina.

Another year of success in the Citizens Depopulation Program indicates ongoing and significant improvement in the recovery of the Louisiana property insurance market. This reduction in market share of Citizens is a great indicator that the homeowners insurance market as well as the commercial property insurance market in Louisiana is rebounding from the severe hit we suffered as a result of Hurricanes Katrina and Rita. Homeowners now have a broader range of options for insurance with 16 new companies actively writing property and casualty policies in our state.

This reduction of Citizens policies benefits all property owners by preventing or reducing future assessments that could be charged to all property insurance consumers in Louisiana. An additional benefit for Louisiana property owners is that policies taken out of Citizens and written in the private insurance market will be written at lower premiums for those consumers. This is because the rates charged by Citizens are required by law to be residual or, put another way, the highest rates in a parish. Many policyholders have lowered their premiums by hundreds or even thousands of dollars after being written by a private insurance company instead of Citizens.

It is only with your assistance in the authorization process that this has been possible. Citizens collaborated with independent agents as well as agents at Allstate, State Farm and Louisiana Farm Bureau who authorized the move of policies requested of them.

Five companies including Occidental, Lighthouse, Capitol Preferred, Access Home and Centauri Specialty successfully made offers to write homeowners policies previously written by Citizens. Altogether, 31,458 unique policies were requested by these companies and 10,890 policies were authorized to be moved, giving a 35 percent authorization rate of total policies requested. Occidental requested 133 policies and 21 policies were authorized, Lighthouse requested 15,128 policies and 5,760 policies were authorized, Capitol Preferred requested 10,000 policies and 1,003 policies were authorized, Access Home requested 8,084 policies and 3,158 policies were authorized and Centauri Specialty requested 5,459 policies and 948 policies were authorized.

In the four previous rounds of Citizens depopulation, Citizens saw the following reduction in policy counts: Round one - 26,595 policies on June 1, 2008, round two - 13,343 policies on December 1, 2008, round three - 3,368 policies on April 1, 2009 and round four – 3,466 policies on December 1, 2010. Including Round 5, a total of 67,660 policies have been taken out of Citizens by private insurers.

The fifth Depopulation Program schedule will close out with authorized policy files transferring to new companies on December 1, 2011 and new companies renewing assumed policies on their letterhead beginning March 1, 2012. On behalf of Louisiana property owners I welcome new companies into the Louisiana market and will continue to focus on encouraging more companies to come to our state.